

**[ BSP CIRCULAR NO. 681, S. OF 2010, February  
08, 2010 ]**

**REVISED CHECK CLEARING AND SETTLEMENT PROCESSES**

Pursuant to Monetary Board Resolution No. 1859 dated 23 December 2009, approving the revised check clearing and settlement processes, the provisions of the Manual of Regulations for Banks (MORB) are hereby amended.

*SECTION 1. The following sections/subsections of the MORB are hereby amended to read as follows:*

**"Sec. X202 Temporary Overdrawings; Drawings Against Uncollected Deposits.** The following regulations shall govern temporary overdrawings and drawings against uncollected deposits (DAUDs).

*a. Temporary overdrawings*

Temporary overdrawings against demand deposit account shall not be allowed, unless caused by normal bank charges and other fees incidental to handling such accounts.

Banks which violate these regulations shall be subject to a fine of one-tenth of one percent (1/10 of 1%) per day of violation, computed on the basis of the amount of overdrawing or fines in amounts as may be determined by the Monetary Board, but not to exceed P30,000 a day for each violation.

Technical overdrawings arising from "*force posting*" in-clearing checks shall be debited by banks under "*Returned Checks and Other Cash Items*" which is part of "*Other Assets*" in the Balance Sheet. Items to be lodged under this account shall consist only of in-clearing checks which may result in "*technical overdrawn*" accounts and shall be immediately reversed the following day, value dated on date of original presentation of Checks and Other Cash Item (COCI) to PCHC for Integrated Greater Manila local exchanges (Integrated GM LX) or to Regional Clearing Center (RCC) for regional local exchanges (RLX).

The checks lodged under "*Returned Checks and Other Cash Items*" which were dishonored due to insufficiency of funds shall be returned not later than 7:30 AM on the clearing day immediately following the original date of presentation of the COCI to PCHC or RCC.

Peso demand deposits accounts maintained by foreign correspondent banks with UBs/KBs shall not be subject to the above-mentioned regulations: Provided, That:

1. The maintenance of non-resident correspondent bank's peso demand deposit accounts and overdrawings therefrom are covered by reciprocal arrangement;
2. Temporary overdrawings are covered within fifteen (15) banking days from the date overdrawings are incurred; and
3. Such accounts are credited only through foreign exchange inward remittance.

*b. Drawings against uncollected deposits.*

Drawings against uncollected deposits (DAUDs) shall be prohibited except when the drawings are made against uncollected deposits representing manager's/cashier's/treasurer's checks, treasury warrants, postal money orders and duly funded "on us" checks which may be permitted at the discretion of each bank.

**"Section X203 Checks Without Sufficient Funds.** To complement the provisions of Batas Pambansa Blg. 22, (An Act Penalizing the Making or Drawing and Issuance of a Check Without Sufficient Funds or Credit), the following regulations shall govern:

- a. The drawee bank shall affix to the check a Return Stamp indicating therein the date when the check is returned and the reason for the refusal to pay the same to the holder thereof.
- b. The drawee bank shall indicate the remark or notation "Drawn Against Insufficient Funds", "No Funds", or Insufficient Funds" on the Return Stamp if the check will be dishonored or returned by reason of insufficiency of funds or credit.
- c. Notwithstanding receipt of an order to stop payment, the drawee bank shall likewise indicate in the Return Stamp, the remarks or notations mentioned in Item "b" hereof indicating that there were no sufficient funds in or credit with such bank for the payment in full of such check, if such be the fact. The bank shall also indicate receipt of a stop payment order.
- d. A Check and Other Cash Item (COCI) dishonored by reason of insufficiency of funds or credit shall be returned by the drawee bank to the negotiating bank not later than 7:30 AM

on the clearing day immediately following the original date of presentation of the COCI to PCHC or RCC.

#### 1. For Local Exchanges

There shall only be one (1) clearing window for COCIs returned due to insufficient funds or credit in the Integrated GM LX and RLX.

The settlement of interbank transactions vis-a-vis covering reserve requirement/deficiency of banks' demand deposit account (DDA) is shown in Appendix 39<sup>\*</sup>.

The AM returned COCI clearing window for COCIs dishonored due to insufficiency of funds or credit in the Integrated GM LX and in the RLX shall be conducted from 2:00 AM to 7:30 AM on the clearing day immediately following the original date of presentation of the COCI to PCHC or RCC.

Returned COCI in the AM clearing window shall be given value on the same date as the date of original presentation of the COCI to PCHC or RCC. The amount of debits and credits on the date of original presentation shall be reversed to the extent of the amount of credits and debits arising from the returned COCI. The process restores the balances of the demand deposits of banks with the BSP to their position prior to the settlement of the clearing results affected by the COCI later returned due to insufficient funds or credit.

#### 2. For Integrated GM Outward to Region, Integrated GM Inward from Region and Region to Region Clearing Operations.

A COCI dishonored by reason of insufficiency of funds or credit shall continue to be covered by Circulars issued by BSP and relevant PCHC Clearing House Rules and Regulations.

#### (3) COCI not Coursed Through the Clearing System.

A COCI dishonored by reason of insufficiency of funds or credit which was not coursed through the clearing system shall be returned by the drawee bank to the holder or the negotiating bank, as the case may be, not later than the banking day following the date the COCI is presented for

payment with the drawee bank.

The negotiating bank shall, in turn, return a COCI dishonored by reason of insufficiency of funds or credit to the holder not later than the banking day following its receipt of the dishonored COCI from the drawee bank.

**“Section X203.1 Checks Dishonored due to Technical Reasons.** A COCI dishonored due to technical reasons shall be returned by the drawee bank to the negotiating bank not later than the afternoon regular clearing.

(1) For Local Exchanges

There shall be two (2) separate clearing windows for COCIs returned due to technical reasons in the Integrated GM LX and RLX.

The settlement of interbank transactions vis-a-vis covering reserve requirement/deficiency of banks' demand deposit account (DDA) is shown in Appendix 39.

a) *AM Returned COCI Clearing* - The AM returned COCI clearing window for COCIs dishonored due to technical reasons in the Integrated GM LX and in the RLX shall be conducted from 2:00 AM to 7:30 AM on the clearing day immediately following the original date of presentation of the COCI to PCHC or RCC.

Returned COCI in the AM clearing window shall be given value on the same date as the date of original presentation of the COCI to PCHC or RCC. The amount of debits and credits on the date of original presentation shall be reversed to the extent of the amount of credits and debits arising from the returned COCI. The process restores the balances of the demand deposits of banks with the BSP to their position prior to the settlement of the clearing results affected by the COCI later returned due to technical reasons.

b) *PM Returned COCI Clearing* - The PM returned COCI clearing window for COCIs dishonored due to technical reasons shall coincide with the afternoon regular clearing. Such returned COCI shall be given value on the date the returned COCI was presented to PCHC for the Integrated GM LX or to RCC for the RLX.

(2) For integrated GM Outward to Region, Integrated GM Inward from Region and Region to Region Clearing Operations

A COCI dishonored due to technical reasons continues to be